

## Message Text

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51

ACTION EA-14

INFO OCT-01 ISO-00 EB-11 AGR-20 OMB-01 TRSE-00 CIEP-02

STR-08 OPIC-12 AID-20 INT-08 CIAE-00 INR-10 NSAE-00

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R 260906Z MAR 74

FM AMEMBASSY TAIPEI

TO USDOC WASHDC

SECSTATE WASHDC 1326

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PASS UNDER SECRETARY TABOR

E.O. 11652: N/A

TAGS: OTRA, TW

SUBJECT: UNDER SECRETARY TABOR MEEINGS WITH GRC OFFICIALS

REF: TOKYO 3828

1. FOLLOWING ARE SUMMARIES OF TABOR CONVERSATIONS WITH GRC OFFICIALS MARCH 18 INCLUDING ALL SUBSTANTIVE POINTS. FULL MEMCONS ON MEETINGS WITH PREMIER AND SUN FOLLOW BY POUCH.

2. DURING MEETING WITH PREMIER CHIANG CHING-KUO UNDER SECRETARY TABOR REASSURED PREMIER HIS VISIT TO ROC WAS NOT TO "PUT OUT FIRES" BUT TO OPEN CHANNELS OF COMMUNICATION. BOTH PREMIER AND UNDER SECRETARY WELCOMED INCREASED ROC IMPORTS FROM US AND RESULTING REDUCED US TRADE DEFICIT WITH ROC. PREMIER SAID ROC EFFORTS THIS REGARD WOULD CONTINUE WITH LARGER PURCHASES OF AGRICULTURAL PRODUCTS ANTICIPATED ALONG WITH MACHINERY AND EQUIPMENT TO EXTENT PRODUCTS AVAILABLE.

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EM PREMIER STRESSED HE WISHED IMPROVE FOREIGN INVESTMENT CLIMATE ESPECIALLY IN ORDER RECEIVE ADDITIONAL INVESTMENT FROM THE US. SCRAP REMAINS SPECIAL PROBLEM FOR ROC AND PREMIER ASKED US EXAMINE POSSIBILITY LARGER QUOTA FOR ROC. UNDER SECRETARY POINTED OUT PRESSURES INCREASING IN US ON SUPPLY OF SCRAP ESPECIALLY BECAUSE OF ENERGY CRISIS. HE OFFERED TO HAVE QUESTION REEXAMINED UPON HIS RETURN TO US, BUT SAID HE COULD NOT PREDICT OUTCOME.

4. PREMIER EXPRESSED CONCERN ABOUT DEVELOPMENTS IN US MARKET FOR TWO MAIN ROC EXPORTS, TV SETS AND TEXTILES. REDUCED FOREIGN DEMAND FOR ROC PRODUCTS POTENTIALLY MORE SERIOUS FOR ECONOMY THAN OTHER PROBLEMS. TABOR COMMENTED THAT MARKET UNCERTAIN NOW BUT SHOULD PICK UP LATER THIS YEAR. FINALLY, PREMIER TOLD UNDER SECRETARY ROC INTERESTED IN BUYING 3,000 HEAVY TRUCKS AND WOULD LIKE TO BUY THEM FROM US (SEE SEPTTEL).

5. IN MEETING WITH MINISTER OF ECONOMIC AFFAIRS Y.S. SUN SUBSTANTIVE PROPOSALS WERE PRESENTED TO UNDER SECRETARY IN FIELD OF MUSHROOMS, TEXTILES AND SCRAP (SEE SEPTELS). MINISTER SUN STRESSED THAT IMPROVED BALANCE OF TRADE BETWEEN US AND ROC HEAVILY DEPENDENT UPON CONTINUING ACTIVE EXIM BANK SUPPORT. HE SAID "WE ARE PREPARED TO BUY AMERICAN IF EXIM BANK CAN HELP. THIS IS MOST IMPORTANT". HE SAID HE HAD INSTRUCTED GRC AUTHORITIES TO TRY BUY FROM US FIRST. IF, HOWEVER, NO FINANCIAL ASSISTANCE AVAILABLE, BUYERS WOULD THEN TURN TO INTERNATIONAL MARKET, FOR EXAMPLE, JAPAN. UNDER SECRETARY RESPONDED BY POINTING OUT IMPORTANCE OF GRC REVIEWING PRIORITIES FOR EXIM BANK LOANS VIGOROUSLY IN ORDER STRETCH AVAILABLE FUNDS AS FAR AS POSSIBLE. WHILE UNDERSTANDING THAT EXIM BANK FINANCING IMPORTANT HE HOPED THAT INCREASED ROC IMPORTS FROM US WILL NOT BE RESTRICTED BY THIS FACTOR. HE ALSO SUGGESTED ROC DO MORE TO MOBILIZE ITS OWN DOMESTIC RESOURCES AND FINANCIAL SUPPORT FROM PRIVATE SECTOR AND INTERNATIONAL SOURCES.

6. MINISTER SUN AND WONG I-TING, DIRECTOR OF BOARD OF FOREIGN TRADE, EXPRESSED CONCERN ABOUT US EXPORT QUOTAS LIMITED OFFICIAL USE

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ON AGRICULTURAL COMMODITIES, SAYING SOYBEAN EMBARGO HAD HURT THE ROC AND ASKED THAT THERE BE ADVANCE CONSULTATION IN FUTURE IF SUCH ACTION NECESSARY. WONG SAID THEY HAD HEARD RUMORS THAT EMBARGO ON WHEAT EXPORTS BEING CONSIDERED. UNDER SECRETARY TABOR SAID CROP PROSPECTS THIS YEAR QUITE GOOD AND HE BELIEVED NO EMBARGOES WOULD BE NECESSARY. SECRETARY BUTZ COULD DISCUSS MORE AUTHORITATIVELY DURING HIS VISIT. IN CASE

EXPORT CONTROLS WERE NECESSARY, AS MUCH ADVANCE NOTICE AS POSSIBLE WOULD BE PROVIDED.

7. DEP ASST SEC VAN GESSEL THANKED MINISTER SUN FOR GRC SUPPORT FOR NEW TRADE CENTER, ASKED FOR REVIEW OF PROCEDURE USING CIF VALUE AS BASIS FOR LEVYING CUSTOMS DUTY AND ASKED WHETHER 33 PERCENT TARIFF ON INDUSTRIAL STARCH COULD BE REDUCED.

8. IN MEETING WITH MINISTER OF FINANCE K.T. LI MUCH OF SAME MATERIAL COVERED AS WITH MINISTER SUN. MINISTER LI ALSO STRESSED IMPORTANCE OF EXIM BANK FINANCING FOR US IMPORTS TO ROC AND SAID WHOLE ISLAND OF TAIWAN A SHOWCASE FOR US PRODUCTS INCLUDING NUCLEAR REACTORS, ETC. HE SAID HE EXPECTS ROC WILL DEVELOP TRADE DEFICIT WITH US AND EXPRESSED CONCERN ABOUT US GRAIN PRICES AS ROC MUST IMPORT LARGE AMOUNTS, ABOUT 4 MILLION TONS PER YEAR. INFORMED UNDER SECRETARY TABOR GRC HAD JUST DECIDED TO PURCHASE 80,000 TONS OF RICE IN US. UNDER SECRETARY ASKED MINISTER LI TO REVIEW PRESENT GRC CUSTOMS EVALUATION PROCEDURES, NOW BASED ON CIF, WHICH PLACED US IMPORTS AT DISADVANTAGE. MINISTER LI SAID HE WOULD ASK THAT THE MATTER BE STUDIED. MINISTER LI ALSO SUGGESTED POSSIBILITY OF JOINT US-ROC EFFORTS TO SELL PACKAGE PLANTS IN ASIAN AREA. MINISTRY OF FINANCE WOULD FINANCE ROC PORTION OF SALE TO DEVELOPING COUNTRIES. USING THIS TECHNIQUE FREIGHT COST FROM US COULD BE ELIMINATED ON HEAVY ITEMS. A POSSIBLE EXAMPLE COULD BE BUILDING A FERTILIZER PLANT IN SAUDI ARABIA. A PAPER MILL WAS ANOTHER EXAMPLE, HE SUGGESTED, ESPECIALLY SINCE ROC HAS MORE EXPERIENCE WITH SMALL AND MEDIUM SIZED PLANTS THAN US SUPPLIERS.

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OM DURING CALL AT CENTRAL BANK GOVERNOR YU POINTED OUT EVEN THOUGH ROC HAD LARGE TRADE SURPLUS WITH US ON BASIS CUSTOMS DATA, ON BASIS FOREIGN EXCHANGE SETTLEMENT ROC HAD ONLY US\$100 MILLION ADVANTAGE. HE SAID GRC WANTS BALANCED TRADE WITH US AND EXIM BANK HAS HELPED GREAT DEAL IN THIS RESPECT. UNDER SECRETARY TABOR POINTED OUT EXIM BANK RESOURCES LIMITED AND GRC SHOULD STUDY WAYS TO MAKE EXIM ASSISTANCE STRETCH AS FAR AS POSSIBLE. HE ALSO POINTED OUT DISADVANTAGE TO US SUPPLIERS CAUSED BY USING CIF AS BASIS FOR LEVYING CUSTOMS DUTY.  
MCCONAUGHY

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## Message Attributes

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**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 JUL 2002 by elyme>; APPROVED <30 JUL 2002 by morefirh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**TAGS:** OTRA, TW, (TABOR, JOHN K)  
**To:** COM STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005